

GAO

Report to the Chairman, Committee on
Armed Services, U.S. Senate

January 2013

HUMAN CAPITAL

Critical Skills and Competency Assessments Should Help Guide DOD Civilian Workforce Decisions



Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE JAN 2013		2. REPORT TYPE		3. DATES COVERED 00-00-2013 to 00-00-2013	
4. TITLE AND SUBTITLE Human Capital: Critical Skills and Competency Assessments Should Help Guide DOD Civilian Workforce Decisions				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 37	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Highlights of [GAO-13-188](#), a report to the Chairman, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

DOD is in large part dependent on the skills and competencies of civilian personnel comprising almost 800,000 FTE positions. Between fiscal years 2002 and 2012, DOD's budgeted civilian personnel costs increased by about 21 percent, to about \$72 billion. In fiscal year 2010, the then-Secretary of Defense directed the Office of the Secretary of Defense and other headquarters commands to freeze (or cap) the number of civilian FTEs at the fiscal year 2010 level for fiscal years 2011-13. During fiscal year 2011, he extended the cap to the military services for fiscal years 2012-13 and granted exceptions adjusting the caps above fiscal year 2010 levels. As requested, GAO determined (1) the military services' progress in meeting adjusted civilian workforce cap targets for fiscal year 2012 and associated savings and (2) steps DOD has taken to help ensure that, in implementing the cap, it has maintained critical skills and competencies for its civilian workforce. GAO limited its focus to U.S. civilian direct-hire employees (not, for example, foreign national employees) and to service efforts to meet cap levels in fiscal year 2012. GAO reviewed DOD's efficiency guidance and analyzed service fiscal year 2010-12 budget information.

What GAO Recommends

GAO recommends that DOD involve functional community managers and use information from its critical skill and competency gap assessments as they are completed to make informed decisions for future changes to the workforce and document its strategies. DOD partially concurred with these recommendations and noted actions taken.

View [GAO-13-188](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

January 2013

HUMAN CAPITAL

Critical Skills and Competency Assessments Should Help Guide DOD Civilian Workforce Decisions

What GAO Found

In fiscal year 2012, the Navy and the Air Force met their adjusted civilian workforce cap targets, but the Army did not. The Department of Defense (DOD) estimated the civilian workforce cap saved the department \$2.2 billion in fiscal year 2012 and would save a total of \$11.5 billion through 2016. At the time the cap was extended to the services, each was executing its fiscal year 2011 budgets with additional planned growth expected. Further, the services were granted departmentwide and service-specific exceptions to exceed their fiscal year 2010 levels by 13,001 full-time equivalents (FTE), or 3.7 percent. The table below compares the services' fiscal years 2012 and 2010 levels.

Comparison of Fiscal Year 2012 Full-Time Equivalent Levels with Fiscal Year 2010 Levels and Exceptions (by Service in Full-time Equivalents)

Service	Fiscal year 2010 workforce level ^a	Exceptions granted	Fiscal year 2012 workforce cap	Fiscal year 2012 execution level
Navy	87,991	6,618	94,609	92,826
Air Force	123,940	3,839	127,779	122,097
Army	138,739	2,544	141,283	152,341

Source: GAO Analysis of DOD Data

^aThe Resource Management Decision determined the fiscal year 2010 workforce level for DOD, rather than the budgeted level.

It is unclear the extent to which DOD considered departmentwide priorities for critical skills and competencies to achieve current and future missions when implementing the cap. DOD's decisions about which skills and competencies to maintain were not informed by competency gap assessments because DOD has not completed most of those assessments. In 2006, Congress mandated that DOD conduct competency gap assessments, as part of its strategic workforce planning efforts, which GAO reported in September 2012 was only completed for 8 of 22 mission critical occupations. Functional community managers are responsible for these assessments, but did not provide input to the services to help preserve critical skills and competencies. DOD is working toward completing its gap assessments by 2015. Skill and competency gaps undermine agencies' ability to meet vital missions. For example, GAO has reported that the shortage of trained acquisition personnel impedes DOD's capability to oversee and manage contracts. A fully developed workforce plan, with all completed gap assessments, would help DOD make informed decisions about reducing its workforce and develop strategies to mitigate skill shortages that impact on achieving the mission. Moreover, DOD did not document how it maintained critical skills and competencies when making decisions in implementing the cap, including decisions about exceptions to the cap. DOD granted exceptions to the cap which, officials stated, were to meet specific mission priorities. For example, DOD granted exceptions for the acquisition workforce in an effort to meet the department's goal of increasing its acquisition workforce by 10,000 full-time equivalent positions by fiscal year 2015. Internal control standards state that significant events need to be clearly documented. Without documenting the approach, GAO cannot determine the extent to which DOD maintained the department's critical skills and competencies.

Contents

Letter		1
	Background	5
	The Navy and the Air Force Met Their Adjusted Civilian Workforce Cap Targets while the Army Did Not, but DOD Estimates Savings Resulting From the Cap	10
	DOD's Civilian Workforce Cap Was Not Informed by Complete Competency Gap Assessments and Strategies to Maintain Critical Skills Were Not Documented	15
	Conclusions	19
	Recommendations for Executive Action	20
	Agency Comments and Our Evaluation	20
Appendix I	Comparison of the Defense Agencies' and Military Services' Civilian Workforce Caps	23
Appendix II	Scope and Methodology	25
Appendix III	Comments from the Department of Defense	29
Appendix IV	GAO Contact and Staff Acknowledgments	31
Related GAO Products		32
Tables		
	Table 1: Services' Budgeted and Projected Growth	11
	Table 2: Comparison of Fiscal Year 2012 Full-Time Equivalent Levels with Fiscal Year 2010 Levels and Exceptions (by Service in Full-time Equivalents)	12
	Table 3: Comparison of the Civilian Workforce Cap at the Defense Agencies and Military Services	23
	Table 4: DOD Organizations Contacted	25

Figures

Figure 1: DOD Civilian Workforce Trends Fiscal Year 2002-2012	6
Figure 2: Total DOD Civilian Personnel Payroll Expenditures Fiscal Year 2002-2012	7
Figure 3: Timeline of DOD's Civilian Workforce Cap for Fiscal Years 2010-2012	8
Figure 4: Service Workforce Levels, Fiscal Years 2010-2012	13

Abbreviations

DOD	Department of Defense
FTE	Full-time equivalent
OSD	Office of the Secretary of Defense

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office
Washington, DC 20548

January 17, 2013

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate

Dear Mr. Chairman:

The achievement of the mission of the Department of Defense (DOD) is dependent in large part on the skills and expertise of its civilian workforce, which constitutes approximately 800,000¹ full-time equivalents (FTEs) that have a wide variety of responsibilities and duties, some of which are mission-essential combat support functions that were traditionally performed by the uniformed military. Among other things, DOD's civilian personnel develop policy, gather intelligence, manage finances, maintain weapon systems, and award contracts and oversee contractor performance. Since the events of September 2001, this workforce has grown in numbers and budget. In fiscal year 2012 alone, DOD budgeted approximately \$72 billion for its civilian personnel, an increase of approximately \$12.6 billion², or 21 percent, since fiscal year 2002. However, as the federal government confronts growing fiscal challenges and DOD faces competition for funding, the department announced Efficiency Initiatives.³ These initiatives were designed to reduce duplication, overhead, and excess, and instill a culture of savings and restraint across DOD. These initiatives include, among other things, soliciting input from outside experts about ways DOD can be more efficient, conducting front end assessments to inform the department's

¹This includes all civilian employees, including foreign nationals.

²In constant, fiscal year 2013 dollars.

³The then-Secretary of Defense announced efficiency initiatives through a series of memos and a speech, including: Secretary of Defense Memorandum, *Department of Defense (DOD) Efficiency Initiatives* (August 16, 2010); Secretary of Defense Memorandum, *Guidance on DOD Efficiency Initiatives with Immediate Application* (August 20, 2010); Secretary of Defense Memorandum, *Defense Agency and Field Activity Organizational Assessments* (August 27, 2010); Secretary of Defense Robert Gates, *Secretary of Defense Statement on Department Budget and Efficiencies* (January 6, 2011); and Secretary of Defense Memorandum, *Track Four Efficiency Initiatives Decisions* (March 14, 2011).

fiscal year 2012 budget request, and reducing excess and duplication across the department.

On August 16, 2010, the then-Secretary of Defense issued a memorandum as part of the Efficiency Initiatives in which he directed the department to freeze (for the purposes of this report referred to as a “cap”⁴) the number of civilian positions within the Office of the Secretary of Defense (OSD), defense agencies, field activities, Joint Staff, and Combatant Commands at the fiscal year 2010 levels for fiscal years 2011-2013.⁵ Additionally, the Secretary of Defense’s August 20, 2010 Efficiency Memorandum states that the Deputy Secretary of Defense was authorized to grant exceptions,⁶ on a component basis, for compelling circumstances. Additionally, the August 16, 2010 memorandum indicated that no full-time OSD positions were to be created after fiscal year 2010 to replace contractors except for critical needs. On January 25, 2011, DOD extended the civilian workforce cap to the military services for fiscal years 2012 and 2013 and granted exceptions that increased their caps above the fiscal year 2010 levels⁷. The services had previously not been included by the Secretary’s memoranda. The related Resource

⁴Although the first of the Secretary’s memo’s referred to a freeze on the civilian workforce, a subsequent Secretary of Defense memo referred to the initiative as a “cap” on the number of positions. According to officials, the initiative is more appropriately called a cap because the workforce is not frozen—i.e., hiring is still permitted—so long as the workforce remains under the specified capped level. Thus, for the purposes of this review, we will refer to this initiative as the civilian workforce cap. However, DOD officials noted that exceptions can be authorized by the Secretary of Defense at any time to allow for growth beyond the designated cap levels.

⁵Although the memo refers to “billets”, officials from the Office of the Under Secretary of Defense (Comptroller) stated that the cap is on full-time equivalents (FTE) employment and is tracked as such.

⁶While the Secretary’s memo states the Deputy Secretary of Defense is authorized to grant exceptions, the Navy was granted an exemption of its ship maintenance personnel and was allowed future growth. However, for the purposes of this report we will refer to both exemptions and exceptions as “exceptions”.

⁷DOD only included U.S. Direct Hire, direct funded FTEs in its cap to the services; i.e., foreign national and reimbursable employees are not included. For the purposes of this report we will discuss U.S. Direct Hire direct funded FTEs only.

Management Decision⁸—which is used to document decisions made during the preparation of submissions to the President’s Budget—specified that the workforce cap would only apply to portions of DOD’s total civilian workforce.⁹

As you requested, we determined (1) the military services’ progress in meeting adjusted civilian workforce cap targets for fiscal year 2012 and associated savings and (2) steps DOD has taken to help ensure that, in implementing the cap, it has maintained critical skills and competencies for its civilian workforce.

To determine the progress the military services¹⁰ have made in meeting their respective civilian workforce FTE cap levels for fiscal year 2012, we reviewed Resource Management Decision 703A2 issued by the Secretary of Defense, which outlined the military services’ (for the purposes of this report, we are including the U.S. Marine Corps with the Navy in all aspects of discussion) FTE levels for fiscal year 2012 in light of the civilian workforce cap, including any FTE reductions necessary to meet the cap. We also reviewed the Secretary of Defense’s series of memoranda on the Efficiencies Initiatives to identify the Secretary’s original guidance on the initiative. We then reviewed the direction provided in those memoranda, the military services’ civilian workforce cap levels and any resulting reductions to the civilian workforce, as well as exceptions to the workforce cap, outlined for the services in Resource

⁸The Resource Management Decision is a budget decision document issued during the joint review of Service budget submissions by Office of the Secretary of Defense and the Office of Management and Budget. Resource Management Decisions reflect the decisions of the Secretary of Defense as to appropriate program and funding to be included in the annual defense budget request which, in turn, is included in the President’s Budget.

⁹According to OSD officials, draft versions of the Resource Management Decision were shared with service leadership prior to the issuance of the final Resource Management Decision 703A2. Thus, through these drafts, the services were made aware of the workforce cap—and could start planning—prior to the formal issuance of the Resource Management Decision on January 25, 2011.

¹⁰Due to differences identified between the defense agencies and the military services with regard to such things as notification timeframes for inclusion in the cap and the specific categories of employees capped, we focused our review solely on U.S. Direct Hire, direct funded civilian employees of the military services. We met with select defense agencies to discuss their approaches to planning for and implementing the workforce cap; however, the information obtained is not generalizeable to other defense agencies or the larger DOD civilian workforce and only represents the experience of the two defense agencies we met with. Information on these differences is included in Appendix I.

Management Decision 703A2. We obtained workforce level data updates from officials in each of the military services to determine the services' progress in implementing the workforce cap and met with officials from the Office of the Assistant Secretary for Financial Management and Comptroller for each of the military services. We analyzed OSD and military service budget documents to identify the services' programmed FTE levels prior to the cap and the revised FTE levels after the implementation of the workforce cap. We also interviewed officials from the Office of the Under Secretary of Defense (Comptroller) and the Office of the Under Secretary of Defense for Personnel and Readiness to obtain an understanding of how the cap levels and exceptions were identified and assigned across the department. Because the cap was limited to U.S. Direct Hire, direct funded civilian FTEs, we focused on that subset of the workforce for this report. We found workforce data, as well as OSD and military service budget documents, sufficiently reliable for the purposes of our reviewing and reporting on the progress and steps taken in implementing this efficiency initiative. With respect to savings associated with the cap, we reviewed key DOD budget documents, such as the budget justification books and the Resource Management Decision 703A2. We also reviewed briefings pertaining to expected savings and costs from the cap. In addition, we interviewed knowledgeable officials from the Office of the Secretary of Defense and each of the military services to discuss anticipated savings and costs associated with the civilian workforce cap.

To determine any steps that OSD and the military services have taken to help ensure that, in implementing this efficiency initiative, they maintained critical skills and competencies for its civilian workforce, we reviewed prior GAO reports, as well as plans, policies, and guidance developed by OSD, the military services, and select defense agencies related to the implementation of the civilian workforce cap. In addition, we interviewed officials at OSD and the military services. We also met with officials from select installations—based on a non-probability site selection methodology that considered, for example, (1) the total number of reductions required to meet the cap, (2) proximity of locations to other military installations also implementing the workforce cap and reductions, (3) locations that experienced either success or challenges in meeting their caps—to determine how lower-level organizations planned for and implemented the workforce cap. More specifically, we met with ten installations—two per military service (to include the Army, the Navy, the Air Force, and the Marine Corps) and two defense agencies (the Defense Threat Reduction Agency and the Defense Information Systems Agency). Our selection methodology included two defense agencies because of the

differences in how the cap was applied to the defense agencies compared with the military services. Although not generalizable, our site selection provides a cross section of installations and defense agencies to provide context in our discussion. See appendix I for a comparison of the planning and implementation differences between the groups outlined in the Secretary's memos and the military services.

We conducted this performance audit from February 2012 to January 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Further details about our objectives, scope, and methodology are contained in Appendix II.

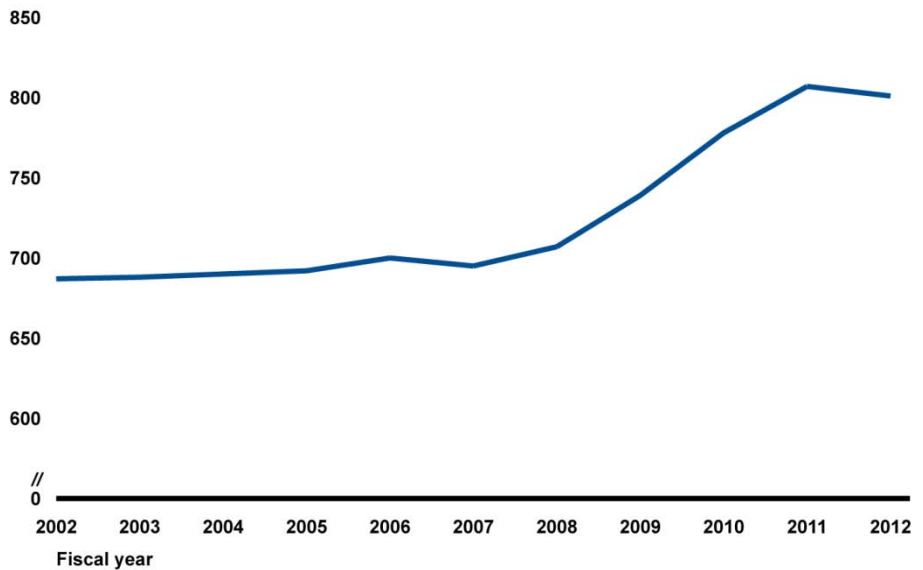
Background

DOD's civilian workforce develops policy, provides intelligence, manages finances, maintains weapon systems, and oversees and manages contracts, among other things. This workforce also performs a wide variety of duties and responsibilities, including mission-essential combat support functions, such as logistics support and maintenance, which traditionally have been performed by the uniformed military. A key component of this workforce also provides deployable civilian experts to Afghanistan and other theaters of operation. As such, DOD's total civilian workforce¹¹ has reached approximately 800,000 FTEs, which constitutes approximately 17 percent growth since 2002, most of which has occurred since 2008. An FTE is the number of total hours worked divided by the maximum number of compensable hours in a work year. For example, if the work year is defined as 2,080 hours, then one worker occupying a paid full time job all year would consume one FTE. Two persons working for 1,040 hours each would consume one FTE between the two of them. See Figure 1 for DOD civilian workforce FTE trends for the total civilian workforce from fiscal year 2002 through fiscal year 2012.

¹¹DOD's total civilian workforce includes among others U.S. Direct Hire, direct funded civilian employees and foreign nationals.

Figure 1: DOD Civilian Workforce Trends Fiscal Year 2002-2012

Full-time equivalents in thousands



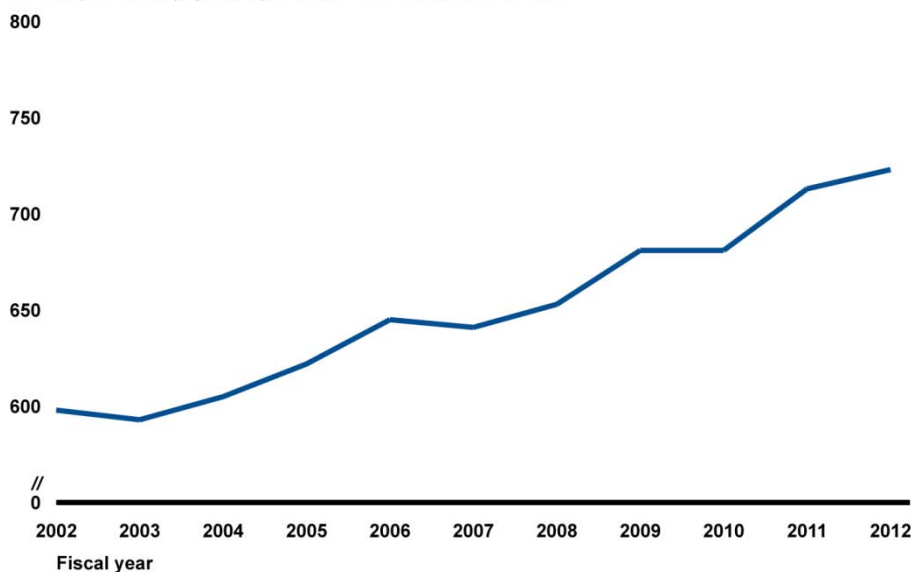
Source: GAO analysis of DOD data.

Note: Fiscal year 2012 is estimated. This figure includes all civilian employees including foreign nationals.

Budgeted funding for the total civilian workforce totaled approximately \$72 billion in fiscal year 2012. See Figure 2 for total DOD civilian personnel payroll expenditures from fiscal year 2002 through fiscal year 2012.

Figure 2: Total DOD Civilian Personnel Payroll Expenditures Fiscal Year 2002-2012

Civilian personnel payroll expenditures in thousands of dollars



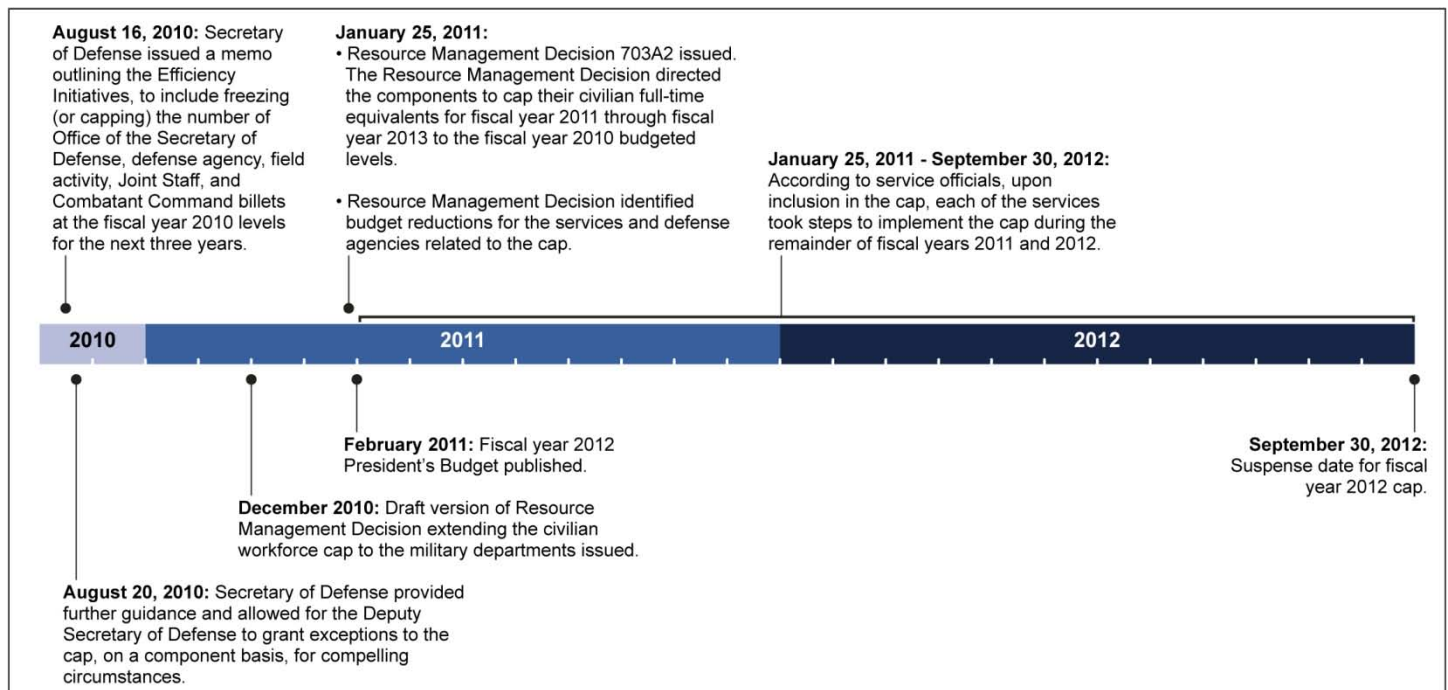
Source: GAO analysis of DOD data.

Note: Fiscal year 2012 is estimated. This figure includes funding for all civilian employees including foreign nationals.

In May 2010, the Secretary of Defense delivered a speech which emphasized that over the last decade, the department's spending on Operation and Maintenance—a broad budget category encompassing approximately \$200 billion worth of the day-to-day activities of the military, including the majority of the civilian personnel funding and other activities such as training and overseas humanitarian, disaster and civic aid—had nearly doubled, not counting expenses directly related to the wars. Subsequently, in August 2010, the Secretary directed DOD to undertake the departmentwide Efficiency Initiatives to reduce duplication, overhead, and excess, and instill a culture of savings and restraint across the department. The Secretary's August 2010 memoranda specified that the department should freeze (or cap) the number of OSD, defense agency, field activity, Joint Staff, and Combatant Command positions at the fiscal year 2010 levels for fiscal years 2011-2013. The August 20 memorandum stated that the Deputy Secretary of Defense was authorized to grant exceptions on a component basis, as necessary. In Resource Management Decision 703A2 the cap was extended to the services for fiscal years 2012 and 2013, and provided for departmentwide exceptions for certain critical capabilities. Although the Secretary's August 2010 memos directed that the civilian workforce be capped at the fiscal year

2010 level, they also permitted exceptions to be granted on a case-by-case basis by the Deputy Secretary of Defense; these exceptions were incorporated into the Resource Management Decision which increased the services' FTE levels above their fiscal year 2010 levels. See Figure 3 for a timeline of the planning for and implementation of DOD's Civilian Workforce Cap.

Figure 3: Timeline of DOD's Civilian Workforce Cap for Fiscal Years 2010-2012



Source: GAO analysis of DOD information.

GAO's body of work on prior workforce reductions at DOD and other organizations during the 1990s demonstrates the importance of strategic workforce planning. Strategic workforce planning, an integral part of human capital management, helps ensure that an organization has the staff with the necessary skills and competencies to accomplish its strategic goals. In July 2012 we testified that the department's downsizing in the early 1990s did not focus on reshaping the civilian workforce in a strategic manner. This downsizing resulted in significant imbalances in terms of shape, skills, and retirement eligibility and a workforce characterized by a growing gap between older, experienced employees and younger, less experienced ones. More specifically, in 1992, we reported that DOD intended to undertake a multiyear downsizing effort

aimed at reducing the civilian workforce by nearly 229,000 positions, or to 20 percent below its fiscal year 1987 levels. We also reported in 1992 that DOD's 1991 downsizing plan¹² had a number of data gaps and limitations, including incomplete and inconsistent data related to workload, workers, and projected force reductions. Specifically, we found that the department's efforts were hampered by incomplete data and the lack of a clear strategy for avoiding the adverse effects of downsizing and minimizing skills imbalances.¹³

Strategic workforce planning is an iterative, systematic process that addresses two critical needs: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals and (2) developing long-term strategies for acquiring, developing, and retaining an organization's workforce to achieve programmatic goals. However, since 2001, we have listed strategic human capital management as a governmentwide high-risk area, stating that serious human capital shortfalls threatened the ability of many federal agencies to economically, efficiently, and effectively perform their missions.¹⁴ DOD has a number of strategic human capital management challenges included in the high-risk list, including a shortage of trained acquisition personnel. While significant steps have been taken, the area remains high risk governmentwide¹⁵ because of a need to develop and implement plans to address current and emerging critical skill and competency gaps that could undermine agencies' abilities to meet their vital missions.

GAO recently defined "efficiency" as maintaining federal government services or outcomes using fewer resources (such as time and money) or

¹²Section 322 of the National Defense Authorization Act for Fiscal Year 1991, Pub. L. No. 101-510 (1990), directed DOD to establish guidelines for reductions made in the number of civilian workers employed by industrial or commercial type activities. The act also directed certain DOD agencies or components to submit 5 year master plans for those workers, providing information on workload, demographics, and employee furloughs and involuntary separations, with the materials submitted to Congress in support of the budget request for fiscal year 1992.

¹³GAO *Defense Force Management: Expanded Focus in Monitoring Civilian Force Reductions Is Needed*. [GAO/T-NSIAD-92-19](#). (Washington, D.C.: March 18, 1992) and *Defense Force Management: Challenges Facing DOD As It Continues to Downsize Its Civilian Work Force*. [GAO/NSIAD-93-123](#). (Washington, D.C.: February 12, 1993).

¹⁴GAO, *High-Risk Series: An Update*, [GAO-01-263](#) (Washington, D.C.: January 2001).

¹⁵GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011).

improving or increasing the quality or quantity of services or outcomes while maintaining (or reducing) resources. DOD's Efficiency Initiatives are the department's most recent comprehensive effort to reduce duplication, overhead, and excess, and instill a culture of savings and restraint across the department. Over time, a number of other governmentwide initiatives have, among other things, emphasized the importance of reducing spending and improving government efficiency. For example, the Budget Control Act of 2011,¹⁶ signed on August 2, 2011, established limits on discretionary spending for fiscal years 2012 through 2021 and provided for automatic reductions in direct spending, among other things.

The Navy and the Air Force Met Their Adjusted Civilian Workforce Cap Targets while the Army Did Not, but DOD Estimates Savings Resulting From the Cap

In fiscal year 2012, the Navy¹⁷ and the Air Force met their adjusted civilian workforce cap targets, but the Army did not. Although not all of the services met their adjusted civilian workforce caps, DOD estimated that implementing the civilian workforce cap saved the department \$2.2 billion in fiscal year 2012 and would save a total of \$11.5 billion through fiscal year 2016 in which OSD officials stated, the department could, in part, use to reinvest for higher priority missions.

At the time the cap was extended to the services, each was in a pattern of growth. Table 1 demonstrates the budgeted and projected FTE growth for each of the services from fiscal year 2010 through 2012.¹⁸

¹⁶Pub. L. No. 112-25 (2011). The Budget Control Act of 2011 enacted several of its provisions by amending the Balanced Budget and Emergency Deficit Control Act of 1985, Pub. L. No. 99-177. Some of the modified provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 were recently further amended by the American Taxpayer Relief Act of 2012, Pub. L. No. 112-240, § 901 (2013).

¹⁷The U.S. Marine Corps is a part of the Department of the Navy and therefore U.S. Marine Corps civilian personnel and respective cap is included in the Navy data.

¹⁸The services' projected growth in fiscal year 2012 are the levels of U.S. Direct Hire, direct funded FTEs the respective service projected in its fiscal year 2011 future years defense plan. This projection took place prior to the announcement of the civilian workforce cap.

Table 1: Services' Budgeted and Projected Growth

Service	Fiscal year 2010 ^a (budgeted)	Fiscal year 2011 ^a (budgeted)	Percent of budgeted growth from fiscal year 2010-2011	2012 Projected FTE levels (as of the fiscal year 2011 budget and prior to cap announcement)	Percent of projected growth from fiscal year 2011-2012
Navy	92,171	93,780	1.7	95,556	1.9
Air Force	124,099	137,470	10.8	143,049	4.1
Army	138,705	144,290	4.0	145,270	0.7

Source: GAO analysis of DOD Data.

Note: The Navy data includes U.S. Marine Corps civilian employees. Further, this table only includes U.S. Direct Hire employees.

^aThe budgeted years' data is the budgeted FTE levels as stated in each respective fiscal year's President's Budget.

During the second quarter of fiscal year 2011, the services were officially notified that their respective civilian workforces would be capped to the fiscal year 2010 levels with exceptions. The services were authorized to exceed their fiscal year 2010 civilian workforce levels by 13,001 FTEs, or 3.7 percent in part because the Secretary of Defense initially included certain DOD-wide exceptions above the fiscal year 2010 levels, when the cap was extended to the military services. Specifically, the Secretary extended the civilian workforce cap to the services for fiscal years 2012 and 2013 at the fiscal year 2010 levels,¹⁹ with exceptions granted that increased their caps, according to officials, for departmentwide mission priorities. The Secretary later approved more exceptions above the fiscal year 2010 levels due to specific service requests. The Navy was granted the largest number of exceptions resulting in approximately 7.5 percent growth above its fiscal year 2010 level²⁰ and the Air Force was granted exceptions resulting in 3.1 percent growth above its fiscal year 2010 level. The Army was granted the fewest total number of exceptions in fiscal year 2012, which equates to about 1.8 percent growth above its fiscal year 2010 level. Table 2 demonstrates the numbers of exceptions granted

¹⁹ According to Resource Management Decision 703A2 for fiscal year 2012, the cap was the fiscal year 2010 level presented in the 2011 President's Budget. As a result, the fiscal year 2010 levels are estimates based on budgeted civilian workforce levels and execution data available at the time of the submission of the fiscal year 2011 President's Budget.

²⁰ Navy officials consider the exception for its shipyard maintenance personnel as an "exemption". We do not make a distinction between exemption and exception because the Navy was granted a finite amount over its fiscal year 2010 level for shipyard maintenance personnel similar to other exceptions granted.

for each service above their respective fiscal year 2010 levels and fiscal year 2012 execution levels.

Table 2: Comparison of Fiscal Year 2012 Full-Time Equivalent Levels with Fiscal Year 2010 Levels and Exceptions (by Service in Full-time Equivalents)

Service	Fiscal year 2010 workforce level ^a	Exceptions granted	Fiscal year 2012 workforce cap	Fiscal year 2012 execution levels ^b
Navy	87,991	6,618	94,609	92,826
Air Force	123,940	3,839	127,779	122,097
Army	138,739	2,544	141,283	152,341

Source: GAO analysis of DOD data.

Note: The Navy data includes U.S. Marine Corps civilian employees. Further, this table only includes U.S. Direct Hire employees

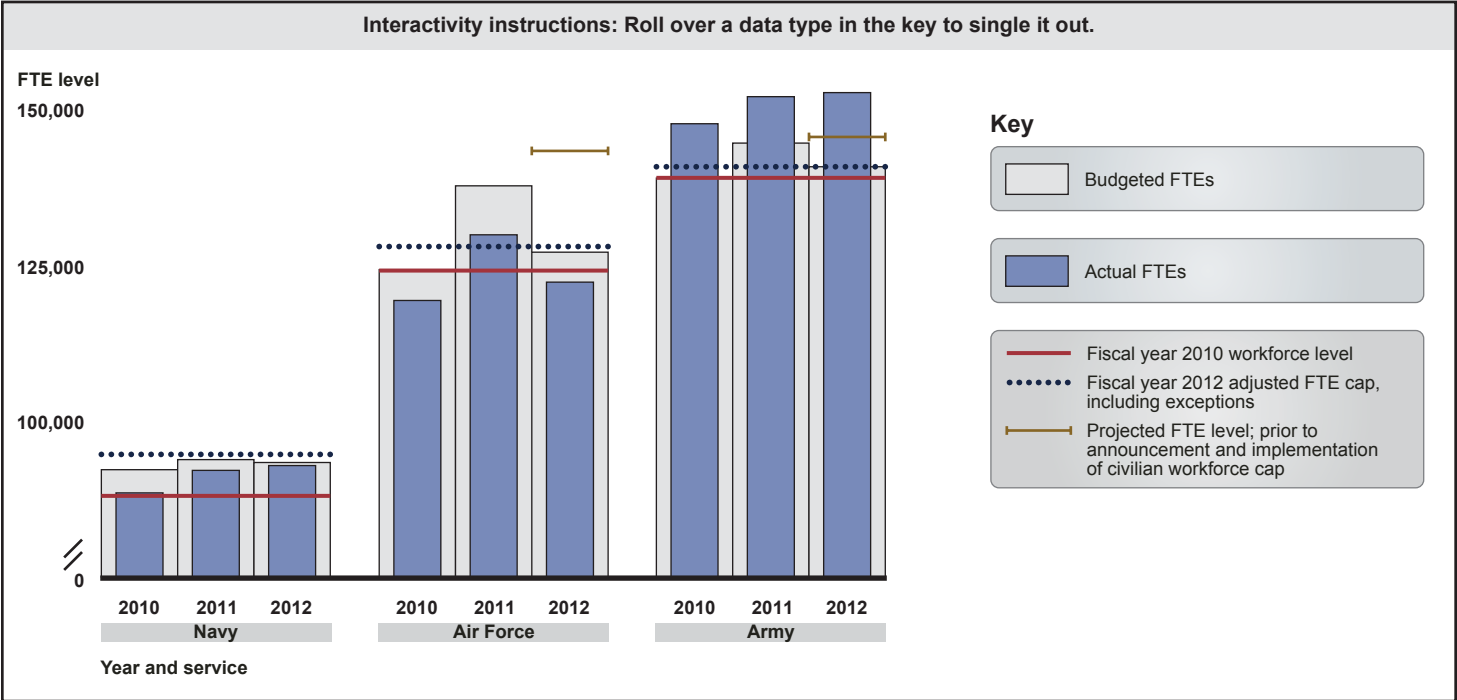
^aFiscal Year 2010 Workforce Level is determined by the Resource Management Decision as the baseline for the cap by DOD, rather than the budgeted level for that year.

^bFiscal Year 2012 execution is equal to the year-end FTE usage.

Navy and Air Force officials stated that in order to meet their adjusted cap in fiscal year 2012, these services took steps to obligate funds for fewer FTEs than they had budgeted for in fiscal year 2011. Officials stated that if they had not taken these steps, these services fiscal year 2011 civilian workforce budgets would have allowed them to grow beyond their fiscal year 2012 cap which could have necessitated involuntary separations. As a result, the Navy obligated funds for approximately 1,700 fewer FTEs than initially planned, and the Air Force obligated funds for almost 7,800 fewer FTEs than originally planned. In contrast, the Army obligated funds for approximately 8,700 more FTEs than originally planned in fiscal year 2010 and 7,400 more FTEs in fiscal year 2011. Army officials stated that because the Army's FTEs were so high in fiscal year 2011, they were not able to reduce the workforce quickly enough to reach the fiscal year 2012 cap without conducting a significant reduction-in-force, which, officials stated they avoided by realigning funds to pay for the overages.

See Figure 4 for an interactive graphic that includes the services' actual FTE execution levels in fiscal year 2010, 2011, and 2012, as well as previously identified budgeted FTE levels and workforce cap levels.

Figure 4: Service Workforce Levels, Fiscal Years 2010-2012



Source: GAO analysis of DOD data.

As shown above, not all of the services met their adjusted civilian workforce caps; however, DOD estimated that implementing the civilian workforce cap the services saved the department \$2.2 billion in fiscal year 2012 and would save a total of \$11.5 billion through fiscal year 2016. The estimated savings were determined by calculating the difference in cost between the planned growth of the civilian workforce departmentwide and the cost of the workforce at the capped levels.

However, the savings estimates did not account for any additional costs incurred for planning and implementation of the cap, according to DOD officials. DOD officials stated that costs were not included in the estimates because it is difficult to determine which costs are attributable to the planning and implementation of the cap and which costs are incurred during the normal course of business. For example, we found that the department utilized the Voluntary Early Retirement Authority and Voluntary Separation Incentive Program to incentivize voluntary separation from the department. OSD officials told us that these programs were not limited in their use to the civilian workforce cap and are available annually pursuant to their statutory authority.²¹ DOD anticipates spending approximately \$115 million on these voluntary separation incentives in fiscal year 2012, which is an increase of \$63 million over fiscal year 2011's cost of \$52 million. DOD expects to spend \$63.5 million on voluntary separation incentives for fiscal year 2013. However, DOD officials were not able to directly identify how much of the voluntary separation incentives in fiscal year 2012 are a direct result of the civilian workforce cap.

²¹5 U.S.C. § 9902

DOD's Civilian Workforce Cap Was Not Informed by Complete Competency Gap Assessments and Strategies to Maintain Critical Skills Were Not Documented

In implementing the cap, it is unclear the extent to which DOD maintained departmentwide priorities for critical skills and competencies needed to achieve current and future missions because DOD (1) has not completed its competency gap assessments and (2) did not document how it maintained departmentwide critical skills and competencies.

DOD's steps to maintain critical skills and competencies included granting the services departmentwide and service-specific exceptions to the cap. These exceptions were granted in order to meet specific departmental priorities, according to agency officials. Departmentwide exceptions granted through the Resource Management Decision increased civilian workforce targets above the original FTE cap levels through the budget process. For example, DOD granted departmentwide exceptions for the acquisition workforce for continued growth in an effort to meet the department's goal of increasing its acquisition workforce by 10,000 full-time equivalent positions by fiscal year 2015. According to DOD's 2010 Quadrennial Defense Review, the department's priorities include, among other things, the need for acquisition personnel who have the skills and training necessary to successfully perform their jobs.²²

Later, the Secretary approved additional exceptions requested by the services for specific mission priorities. According to Comptroller officials, the military services had the opportunity to submit requests for additional exceptions to the Deputy Secretary of Defense—who could ultimately approve or deny these requests on a case by case basis—for hiring needs above the cap level deemed necessary by the military services to meet specific missions. For example, the Navy requested exceptions for FTEs in ship maintenance and the Air Force requested exceptions for FTEs in testing and evaluation which were ultimately approved by OSD²³. As noted, for example, the Navy was granted the largest number of exceptions to the workforce cap—totaling 6,618 FTEs over its fiscal year

²²DOD, *Quadrennial Defense Review Report* (February 2010).

²³As noted, the Secretary of Defense, through an efficiency initiative memo, provided the Deputy Secretary of Defense the authority to grant exceptions to the cap for compelling circumstances.

2010 level. In total, we estimated that the departmentwide and service specific exceptions equate to \$1.3 billion²⁴ in personnel costs.

However, DOD has not completed its competency gap assessments—identifying gaps in the existing or projected civilian workforce that should be addressed to ensure that the department has continued access to the critical skills and competencies—to help inform decisionmaking that would preserve critical skills and competencies. Further, it is essential that gap analyses for strategic workforce planning include an evaluation in numbers of personnel needed, as well as for the critical skills and competencies needed for the workforce²⁵. In 2006, Congress mandated that DOD develop a strategic human capital plan to shape and improve the civilian employee workforce to include, among other elements, an assessment of gaps in the existing and projected civilian employee workforce that should be addressed to ensure that the department has continued access to the critical skills and competencies to support national security requirements and effectively manage the department.²⁶ We reported in 2009²⁷ and again in 2012²⁸ that DOD had still not fully addressed all elements of its mandate, to include the competency gap assessment element for its mission critical occupations. Further, our 2012 report found DOD has also not conducted its mandated assessment of the appropriate mix or capabilities of military, civilian, and contractor personnel. DOD has identified 24 mission critical occupations, including Logistics Management, Financial Administration, and Information Technology Management. Of these occupations, 22 are associated specifically with the overall civilian workforce and are discussed in the DOD's Strategic Workforce Plan, while, the remaining 2 are acquisition-

²⁴We calculated this estimate by multiplying the total number of exceptions granted by the budgeted average total compensation and benefits for FTEs from the President's Budget for fiscal year 2012.

²⁵ GAO, *Human Capital: Further Actions Needed to Enhance DOD's Civilian Strategic Workforce Plan*, [GAO-10-814R](#) (Washington, D.C.: September 27, 2010).

²⁶ National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163, § 1122 (2006) (codified as amended at 10 U.S.C. § 115b).

²⁷ GAO, *Human Capital: Opportunities Exist to Build on Recent Progress to Strengthen DOD's Civilian Human Capital Strategic Plan*, [GAO-09-235](#) (Washington, D.C.: February 10, 2009).

²⁸ GAO, *Human Capital: DOD Needs Complete Assessments to Improve Future Civilian Strategic Workforce Plans*, [GAO-12-1014](#) (Washington, D.C.: September 27, 2012).

related occupations—contracting and quality assurance—and are discussed in the *Defense Acquisition Workforce Improvement Strategy* (published as a separate report). We also reported that functional community managers reported conducting competency gap assessments for 8 of the 22 mission-critical occupations.²⁹ These 8 occupations include nurses, pharmacists, clinical psychologists, social workers, medical officers, security specialists, police officers, and human-resources managers. Further, in cases where the functional community managers did conduct gap analyses, they did not report the results of these assessments in DOD's Strategic Workforce Plan. According to DOD officials responsible for developing the civilian workforce plan, competency gaps will be assessed using the Defense Competency Assessment Tool³⁰ that is scheduled for initial deployment in late fiscal year 2013.³¹ Further, in some cases, other competency models, such as that for the financial management community, will be available at the end of 2012. DOD also stated that it is preparing to pilot a capabilities based approach to assess its civilian, military, and contractor workforces. DOD has noted that it has developed initiatives to meet statutory requirements for its strategic workforce plan, including having gap assessments, by fiscal year 2015.

We have previously reported that an agency needs to define the critical skills and competencies that it will require in the future to meet its strategic program goals. Doing so can help an agency align its human-capital approaches that enable and sustain the contributions of all the critical skills and competencies needed for the future. Once an agency identifies the critical skills and competencies that its future workforce must

²⁹ For DOD's 2010-2018 plan, 11 of 12 functional communities—which consist of employees who perform similar functions—provided some information on 22 occupations that DOD has identified as mission critical. The Acquisition Functional Community did not submit its assessments for inclusion in DOD's 2010-2018 Strategic Workforce Plan and, according to DOD officials, a separate report on the acquisition community will be submitted to Congress in March 2013.

³⁰ The Defense Competency Assessment Tool is an Army system that is being updated for Department-wide use to replace multiple competency tools and will become part of an Enterprise Competency Management Framework.

³¹ According to March 2012 testimony by the then acting Under Secretary of Defense for Personnel and Readiness, the Defense Competency Assessment Tool is scheduled for deployment in fiscal year 2013, and that through it DOD will be able to assess workforce competencies and develop strategies to reduce critical skill gaps that may impact mission accomplishment by fiscal year 2015.

possess, it can develop strategies tailored to address gaps in the number, skills and competencies, and deployment of the workforce.³² We also identified completing competency gap assessments as a key element in the strategic workforce planning process. Having a fully developed workforce plan, with completed gap assessments, would help DOD make informed decisions about reductions in its workforce and develop strategies to mitigate skill shortages that impact on achieving the mission.

Officials at each of the military services told us they planned for the implementation of the civilian workforce cap for fiscal year 2012 based on the levels assigned in the Resource Management Decision 703A2 accounting for their service-specific critical skills and competencies; however, the extent to which the services took into account the departmentwide priorities for critical skills and competencies needed to achieve current and future missions is unclear. Specifically, the services each took their own approach to considering critical skills and competencies but the extent to which DOD's enterprisewide Mission Critical Occupations were considered was not clear because their approaches were not documented. According to the Office of Personnel Management's Human Capital Assessment and Accountability Framework, developed in conjunction with the Office of Management and Budget, agencies transforming their strategic human capital management programs should document strategies for workforce planning that define roles, responsibilities, and other requirements of the strategies. Without proper documentation, agencies cannot measure the effectiveness of human capital management approaches as a basis for developing, implementing, and evaluating their workforce planning processes. In addition, service officials stated that the Office of the Secretary of Defense's Functional Community Managers did not provide input to the services to help ensure departmentwide critical skills and competencies were maintained in implementing the civilian workforce cap. DOD's Fiscal Year 2010-2018 Strategic Workforce Plan states the functional community managers are responsible for identifying current and future mission requirements, identifying competencies needed for mission readiness, and assessing competency gaps. However, in implementing the cap, Army officials told us that the Army held a series of briefing sessions between its Vice Chief of Staff and command leadership to

³²GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

allocate the service's overall cap across its commands and installations. During these sessions, according to officials, the Vice Chief directed commanders to assess and brief on the risks and impacts to missions for 5 percent, 10 percent, or 15 percent reductions to civilian workforce levels within their commands, which enabled the Vice Chief to consider risk in making allocation decisions. Navy officials stated that the Navy Comptroller's office and senior leadership allocated the Navy's civilian workforce cap and any necessary FTE reductions—to include the Marine Corps—over approximately a one-week period in December 2010 once draft versions of Resource Management Decision 703A2 were released, prior to the formal issuance of the Resource Management Decision in January 2011. Air Force officials told us the Air Force conducted "3-Star Summits" which allocated the cap and any necessary reductions across the service's major commands and, according to service officials, helped the Air Force to avoid making arbitrary reductions to the civilian workforce. However, without DOD documenting its approach, we cannot determine the extent to which the department's plans to implement the civilian workforce cap considered the need to maintain critical skills and competencies.

Conclusions

DOD has a large, diverse federal civilian workforce that is instrumental in maintaining our national security. With the long-term fiscal challenges currently facing the nation, reductions to the civilian workforce may be considered in the future as an option to achieve cost savings, especially in light of the drawdown in Afghanistan. Through the Secretary's initiative, the department has taken initial steps to identify areas of potential cost savings and improved efficiency—including capping the growth of DOD's civilian workforce. DOD projected it would save money to reinvest in higher priorities by slowing the growth of its civilian workforce, or in some instances, reducing the number of civilian employees. However, identification of critical skill and competency gaps and involvement of stakeholders, such as functional community managers would help the department manage its workforce more strategically. As DOD continues working towards completing its gap assessments, information as it becomes available from these assessments can better inform key human capital decision processes. Further, to be successful in any future efforts to plan for and shape its civilian workforce, it is imperative that the department cautiously and strategically take into account departmentwide critical skills and competencies needed to maintain and meet its mission, drawing upon experiences and lessons learned from the implementation of the cap should additional reductions become necessary.

Recommendations for Executive Action

To help ensure the department maintains its critical skills and competencies, when planning for and implementing future civilian workforce actions, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness take the following two actions:

- Involve functional community managers and to the extent possible, use information from gap assessments of its critical skills and competencies as they are completed to make informed decisions for possible future reductions or justify the size of the force that it has.
- Document its efforts to strategically manage its civilian workforce and maintain critical skills and competencies for future reductions.

Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD partially concurred with both recommendations. DOD's comments are reprinted in appendix III.

DOD commented that it is concerned that the scope of our review and recommendations do not address the original intent of the mandate, which DOD characterized as being to identify the process by which the department determined civilian workforce levels in the context of efficiency initiatives and efforts to reduce duplication, overhead, and excess as well as instill a culture of savings and restraint. However, our review was not in response to a mandate. Rather, we initiated our review in response to a request from the Chairman, Senate Committee on Armed Services. We conferred with requestor's staff to develop the review's scope and methodology, and made recommendations intended to improve DOD's ability to determine civilian workforce needs. We continue to believe that involving functional community managers and using information from gap assessments of critical skills and competencies will help the department make informed decisions for future reductions of the civilian workforce and for justifying the size of its current workforce.

DOD partially concurred with our recommendation to involve functional community managers and to the extent possible, use information from gap assessments of critical skills and competencies as they are completed to make informed decisions for possible future reductions or justify the size of the force that it has. As we noted in our report, the department has not completed competency gap assessments for all of its 22 mission critical occupations as mandated by Congress in 2006 as part of DOD's strategic workforce planning. These competency gap

assessments are evolving and DOD expects to have a workforce plan that responds to statutory requirements, including competency gap analyses by 2015. The department's commitment to delivering a comprehensive Strategic Workforce Plan that addresses competency gaps and critical skill shortfalls in its civilian personnel is a step in the right direction. In response to our draft report, DOD also stated in its agency comments that it aligns its workforce (both in size and structure) to mission and as such justifies the current size or possible reductions/increases to that workforce based on mission workload rather than competency or skill gaps to deliver capabilities. However, we continue to believe that the department is not in a position to fully justify the size of its workforce until it has fully addressed its mandate to identify areas of critical skill and competency gaps within the civilian workforce. Further, DOD noted that its civilian workforce is sized and structured based on capabilities necessary to carry out its mission. It is important to note that our prior work has found that DOD's Strategic Workforce Plans have not assessed the appropriate mix of military, civilian, and contractor personnel or assessed the capabilities of each of these workforces as mandated by Congress. In September 2012, DOD stated that it is preparing to pilot a capabilities based approach to assess its civilian, military, and contractor workforces. We will continue to monitor the results of DOD's pilot program and how assessments are used for future workforce decisions.

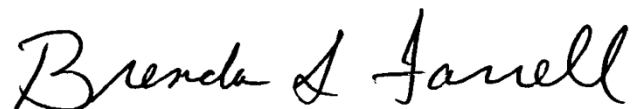
DOD also partially concurred with our recommendation to document its efforts to strategically manage its civilian workforce and maintain critical skills and competencies for future reductions. DOD stated in its agency comments that the department remains committed to the functional community management construct, and has embarked on a comprehensive effort to assess competencies and proficiencies. DOD further stated that to the extent possible, DOD plans to use information obtained from skill and competency gap assessments to ensure that personnel actions are effecting current and/or future civilian workforce restructuring or resizing initiatives are done in a manner that preserves organic knowledge, minimizes competency gaps, and avoids shortfalls in critical skills. The department's efforts towards meeting the statutory requirements of the Strategic Workforce Plan are a positive step. However, as noted, in prior work, we have reported that in DOD's Strategic Workforce Plans DOD has not assessed the appropriate mix of military, civilian, and contractor personnel or assessed the capabilities of each of these workforces as mandated by Congress. As we have previously reported, while developing its Strategic Workforce Plan, the department should document strategies for workforce planning that define

roles, responsibilities, and other requirements of the strategies. Without proper documentation, agencies cannot measure the effectiveness of their human capital management approaches as a basis for developing, implementing, and evaluating their workforce planning processes or demonstrate how workforce decisions were made.

We are sending copies of this report to interested congressional committees, the Secretary of Defense, the Deputy Secretary of Defense, the Under Secretary of Defense for Personnel and Readiness, the Under Secretary of Defense (Comptroller), the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force.

If you or your staff have any questions regarding this report, please contact me at (202) 512-3604 or farrellb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Sincerely yours,

A handwritten signature in black ink that reads "Brenda S. Farrell". The signature is written in a cursive, flowing style.

Brenda S. Farrell
Director
Defense Capabilities and Management

Appendix I: Comparison of the Defense Agencies' and Military Services' Civilian Workforce Caps

The former-Secretary of Defense's memoranda outlining the Efficiency Initiatives provided the department with some initial direction on the civilian workforce cap. Subsequently, Resource Management Decision 703A2, developed as part of the Department of Defense's (DOD's) deliberations in support of their submission to the fiscal year 2012 President's Budget, provided some additional guidance on the civilian workforce cap. Table 3 compares the planning and implementation of the civilian workforce cap between the defense agencies and military services.

Table 3: Comparison of the Civilian Workforce Cap at the Defense Agencies and Military Services

	Defense Agencies, Headquarters Activities, Combatant Commands, and Other DOD components other than the Military Services	Military Services
Method of notification about civilian workforce cap	Two separate Efficiency Initiative memoranda issued by the then-Secretary of Defense Robert M. Gates.	Resource Management Decision 703A2. ^a
Timeframes for notification	Secretary Gates' memoranda were issued August 16, 2010 and August 20, 2010.	Resource Management Decision 703A2 was issued January 25, 2011, as part of the fiscal year 2012 budget process. Some service officials reported being notified of the cap in late December 2010, when the Resource Management Decision was circulated in draft form.
Additional specifications/guidance provided	<p>The August 16, 2010 memorandum stated, as follows:</p> <p><i>Freeze the number of Office of the Secretary of Defense (OSD), defense agency, field activity, Joint Staff, and Combatant Command) billets at the fiscal year 2010 levels for the next three years. Additionally, no full-time OSD positions will be created after fiscal year 2010 to replace contractors except for critical needs.</i></p> <p>The August 20, 2010 memorandum expanded upon the prior memorandum's direction and stated, as follows:</p> <p><i>A cap, at fiscal year 2010 levels, in the aggregate number of authorized and funded manpower billets in OSD, Joint Staff, Combatant Commands, Office of the Inspector General of the DOD, Defense Agencies, and DOD Field Activities, and all other organizational entities outside the Military Departments for the next three fiscal years. This action is intended to preclude further personnel growth in these areas and to facilitate the previously announced organizational "zero based" reviews. The Deputy Secretary of Defense is authorized to grant exceptions to this cap, on a component basis, for compelling circumstances.</i></p>	<p>The issuance of the Resource Management Decision 703A2 in January 2011 reiterated the terms of the August 16, 2010 memorandum and added that,</p> <p><i>This freeze has now been extended to the Military Departments.</i></p>

**Appendix I: Comparison of the Defense
Agencies' and Military Services' Civilian
Workforce Caps**

	Defense Agencies, Headquarters Activities, Combatant Commands, and Other DOD components other than the Military Services	Military Services
Segment of the civilian workforce impacted by the cap	Resource Management Decision 703A2 further identified the workforce impacted by the cap, stating, as follows: <i>The fiscal year 2010 column of the fiscal year 2011 President's Budget for U.S. Direct Hires (Direct and Reimbursable) civilian full-time equivalents (FTEs) for each Component is the baseline for the manpower freeze.</i>	According to officials, OSD did not provide specific guidance to the military services on which segments of the workforce were capped; however, according to service officials, they were instructed that the workforce cap was only on U.S. Direct-Funded, direct-hire personnel funded out of all authorization accounts. However, some officials reported confusion about whether reimbursable employees were to be included.
Timeframes for implementation of the civilian workforce cap	The defense agencies (and others) were notified of the civilian workforce cap prior to the start of fiscal year 2011 and could therefore plan their fiscal year FTE execution in line with their designated cap levels. The agencies could also begin taking action to cap and, if necessary, reduce their civilian workforces in fiscal year 2011.	As noted, the civilian workforce cap was extended to the military services in Resource Management Decision 703A2, as part of the fiscal year 2012 budget development process. Any reductions to the services' civilian personnel funding associated with the civilian workforce cap were made in Fiscal Year 2012 President's Budget. Although the services could begin taking action to cap and, if necessary, reduce their civilian workforces in fiscal year 2011, their fiscal year 2011 budget did not reflect those reductions.

Source: GAO analysis of DOD memos, guidance, and budget documents, as well as interviews with OSD and service officials.

^aThe Resource Management Decision is used to document decisions made during the preparation of submissions to the President's Budget.

Appendix II: Scope and Methodology

To address our audit objectives, we reviewed relevant Office of the Secretary of Defense (OSD) and military service policies and guidance regarding the civilian workforce cap, such as the Secretary’s Efficiency Initiatives memoranda and the Resource Management Decision 703A2. We reviewed these and other relevant documentation, and interviewed officials from the Department of Defense (DOD) organizations identified in Table 4.

Table 4: DOD Organizations Contacted^a

Office of the Secretary of Defense	<ul style="list-style-type: none"> Office of the Under Secretary of Defense (Comptroller) Office of the Under Secretary of Defense for Personnel & Readiness Office of the Under Secretary of Defense for Acquisition, Technology, & Logistics, Human Capital Initiatives
Department of the Army	<ul style="list-style-type: none"> Office of the Assistant Secretary of the Army, Manpower & Reserve Affairs Office of the Assistant Secretary of the Army, Financial Management & Comptroller Office of the Deputy Assistant Secretary of the Army, Civilian Personnel/Quality of Life Office of the Deputy Chief of Staff, Army G1 Office of the Assistant Army G1, Civilian Personnel Installation Management Command, Fort Sam Houston, Texas Training and Doctrine Command, Fort Eustis, Virginia
Department of the Navy	<ul style="list-style-type: none"> Office of the Assistant Secretary of the Navy, Manpower and Reserve Affairs Office of the Assistant Secretary of the Navy, Financial Management & Comptroller Commander, Navy Installations Command Commander, Navy Region Mid Atlantic, Naval Station Norfolk, Virginia Commander, Navy Region Southwest, Naval Base San Diego, California U.S. Marine Corps, Office of Manpower and Budget Marine Corps Base Camp Pendleton, California Marine Corps Recruit Depot, San Diego California
Department of the Air Force	<ul style="list-style-type: none"> Office of the Secretary of the Air Force, Financial Management and Comptroller Office of the Secretary of the Air Force, Manpower, Personnel and Services Office of the Deputy Assistant Secretary of the Air Force, Financial Management & Budget, Budget Operations & Programs Air Force Personnel Center, Randolph Air Force Base, Texas Air Combat Command, Langley Air Force Base, Virginia
Defense Agencies	<ul style="list-style-type: none"> Washington Headquarters Services Defense Information Systems Agency Defense Threat Reduction Agency, Office of the Comptroller

Source: GAO data.
^aUnless otherwise indicated, these offices and agencies are located within the Washington, D.C. metropolitan area.

To evaluate the progress the military services have made in meeting their respective civilian workforce full-time equivalent (FTE) cap levels for fiscal year 2012, we reviewed the Secretary of Defense's series of memoranda—including those dated August 16, 2010 and August 20, 2010 which directed a freeze (or cap) on civilian manpower billets¹—on the Efficiencies Initiative to identify the Secretary's guidance on that initiative, as well as Resource Management Decision 703A2 which assigned the cap levels to the services. We then compared the direction provided in those memoranda to the military services' civilian workforce cap levels and any resulting reductions to the civilian workforce, as well as exceptions to the workforce cap, outlined for the services in Resource Management Decision 703A2, as part of the fiscal year 2012 budget development. We obtained workforce level data updates from officials in each of the military services to determine the services' progress in implementing the workforce cap and making any required reductions. More specifically, to obtain workforce data on the services' civilian full-time equivalent levels and clarification on exceptions the services' received to the cap, we met with knowledgeable officials from the Office of the Assistant Secretary for Financial Management and Comptroller for each of the military services². We analyzed OSD and military service budget documents and data from the Fiscal Years Defense Program to identify the services' authorized FTE levels prior to the cap and the revised FTE levels after the implementation of the workforce cap. We also interviewed officials from the offices identified in Table 4 to obtain an understanding of how the cap levels and exceptions were identified and assigned across the department. We found workforce data, as well as OSD and military service budget documents, sufficiently reliable for the purposes of our reviewing and reporting on the progress and steps taken in implementing this efficiency initiative. To evaluate the extent to which the department realized any savings from the civilian workforce cap, we reviewed key DOD budget documents—including the individual services' civilian personnel cost exhibits and budget justification books. We also reviewed any briefings pertaining to expected savings and voluntary separation incentive costs from the cap. In addition, we interviewed

¹Although the Secretary's memos referred to manpower billets, officials in the Office of the Under Secretary of Defense (Comptroller) stated that the cap was on civilian full-time equivalent levels.

²The United States Marine Corps is part of the Department of the Navy and therefore United States Marine Corps civilian personnel and respective cap is included in the Navy data for the purposes of this report.

knowledgeable officials from the Office of the Secretary of Defense and each of the military services to discuss anticipated savings and costs associated with the civilian workforce cap.

To determine any steps that OSD and the military services have taken to help ensure that, in implementing this efficiency initiative, they maintained critical skills and competencies for its civilian workforce, we reviewed GAO's *Key Principles for Effective Strategic Workforce Planning*³, as well as plans, policies, and guidance developed by OSD, the military services, and select defense agencies related to the implementation of the civilian workforce cap. We used DOD's Fiscal Year 2010-2018 Strategic Workforce Plan and prior GAO work to define "critical skills" as the core mission and support occupations that are vital to the accomplishment of an agency's goals and objectives. We further defined "critical competencies" as a set of behaviors that encompass knowledge, skills, abilities, and personal attributes that are critical to successful work accomplishment—specifically, what employees know, what they do, and how they do it and translate into effective on-the-job performance. We also interviewed officials at OSD and military services, in the offices identified in Table 4. In addition, we met with officials from select installations—based on a non-probability site selection methodology that considered, for example, (1) the total number of reductions required to meet the cap, (2) proximity of locations to other military installations also implementing the workforce cap and reductions, (3) locations that experienced either success or challenges in meeting their caps—to determine how lower level organizations planned for and implemented the workforce cap. More specifically, we met with ten installations identified in Table 4—two per military service (including the Marine Corps) and two defense agencies (Defense Threat Reduction Agency and Defense Information Systems Agency). Our selection methodology also included two defense agencies because of the differences in how the cap was applied to the defense agencies compared with the military services. Although not generalizable, our site selection provides a cross section of installations and defense agencies to provide context in our discussion. See appendix I for a comparison of the planning and implementation differences between the groups outlined in the Secretary's memos and the military services, as well as information related to these specific

³GAO: *Human Capital: Key Principles for Effective Strategic Workforce Planning* GAO-04-39. (Washington, D.C.: December 11, 2003).

defense agencies. We also obtained and analyzed guidance and tracking documents developed by these organizations.

We conducted this performance audit from February 2012 to January 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix III: Comments from the Department of Defense



READINESS AND
FORCE MANAGEMENT

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

JAN 07 2013

Ms. Brenda Farrell
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Farrell,

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-13-188, "HUMAN CAPITAL: Critical Skills and Competency Assessments Should Help Guide DOD Civilian Workforce Decisions" (GAO Code 351695).

The Department appreciates the opportunity to review and comment on this draft report. We are concerned that the scope of the review, and subsequently the draft report and recommendations, did not address the original intent of the mandate which was to identify the process by which the Department determined civilian workforce levels in the context of efficiency initiatives and efforts to reduce duplication, overhead, and excess as well as instill a culture of savings and restraint.

As such, the Department provides the following responses with regards to the two specific recommendations offered by the GAO:

RECOMMENDATION 1: The GAO recommends that the Department of Defense involve functional community managers and to the extent possible, use information from gap assessment of its critical skills and competencies as they are completed to make informed decisions for possible future reductions or justify the size of the force that it has.

DoD RESPONSE: The Department partially concurs with this recommendation. While we are committed to delivering a comprehensive Strategic Workforce Plan that addresses competency gaps and critical skill shortfalls in our civilian personnel, the Department's civilian workforce is sized and structured based on the capabilities necessary to implement the national military and security strategies of the United States; as well as delivering the readiness and support to organize, train, and equip a force capable of executing operational plans in support of those strategies. This capabilities-based approach is predicated on a mission, function, and task construct and informed by current and projected workload, risk mitigation, and resource availability. The Department aligns its workforce (both in size and structure) to mission and as such justifies the

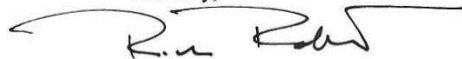
current size or possible reductions/increases to that workforce based on mission workload rather than competency or skill gaps to deliver capabilities.

RECOMMENDATION 2: The GAO recommends that the Department of Defense document its efforts to strategically manage its civilian workforce and maintain critical skills and competencies for future reductions.

DoD RESPONSE: The Department partially concurs with this recommendation. We are aggressively working towards fully meeting the statutory requirements of the Strategic Workforce Plan. However, as stated in response to the first recommendation, the size and structure of the workforce is driven by capabilities, mission, and workload and not by competencies and skills. Future reductions to the workforce, or possible increases, will be justified by workload and supported by resource availability. The Department remains committed to the functional community management construct, and has embarked on a comprehensive effort to assess competencies and proficiencies. To the extent possible, we will use information obtained from skill and competency gap assessments to ensure that personnel actions effecting current and/or future civilian workforce restructuring or resizing initiatives are done in a manner that preserves organic knowledge, minimizes competency gaps, and avoids shortfalls in critical skills. Additionally, the Strategic Workforce Plan is an integral tool in informing the Department's policies and procedures for recruitment; retirement and accession planning; professional training and education; and retention in order to guard against a skill shortfall or erosion of competencies as workforce actions are implemented.

Should you have any questions, please contact my primary action officer Mr. Thomas Hessel, Associate Director of Total Force Requirements & Sourcing Policy, at 703-697-3402, or at thomas.hessel@osd.mil.

Sincerely,



Rich Robbins
Director, Total Force Planning &
Requirements

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Brenda S. Farrell (202) 512-3604 or farrellb@gao.gov

Staff Acknowledgments

In addition to the contact named above, Lori Atkinson, Assistant Director; Marion Gatling, Assistant Director (retired); Mae Jones; Brian Pegram; Charles Perdue (retired); Terry L. Richardson; Norris Smith III; Spencer Tackill; Michael Willems; and Jennifer Weber made key contributions to this report.

Related GAO Products

Human Capital: DOD Needs Complete Assessments to Improve Future Civilian Strategic Workforce Plans. [GAO-12-1014](#). Washington, D.C.: September 27, 2012.

Human Capital: Complete Information and More Analyses Needed to Enhance DOD's Civilian Senior Leader Strategic Workforce Plan. [GAO-12-990R](#). Washington, D.C.: September 19, 2012.

DOD Civilian Workforce: Observations on DOD's Efforts to Plan for Civilian Workforce Requirements. [GAO-12-962T](#). Washington, D.C.: July 26, 2012.

Defense Acquisition Workforce: Improved Processes, Guidance, and Planning Needed to Enhance Use of Workforce Funds. [GAO-12-747R](#). Washington, D.C.: June 20, 2012.

Defense Acquisitions: Further Actions Needed to Improve Accountability for DOD's Inventory of Contracted Services. [GAO-12-357](#). Washington, D.C.: April 6, 2012.

DOD Civilian Personnel: Competency Gap Analyses and Other Actions Needed to Enhance DOD's Strategic Workforce Plans. [GAO-11-827T](#). Washington, D.C.: July 14, 2011.

High-Risk Series: An Update. [GAO-11-278](#). Washington, D.C.: February 2011.

Human Capital: Opportunities Exist for DOD to Enhance Its Approach for Determining Civilian Senior Leader Workforce Needs. [GAO-11-136](#). Washington, D.C.: November 4, 2010.

Human Capital: Further Actions Needed to Enhance DOD's Civilian Strategic Workforce Plan. [GAO-10-814R](#). Washington, D.C.: September 27, 2010.

Human Capital: Opportunities Exist to Build on Recent Progress to Strengthen DOD's Civilian Human Capital Strategic Plan. [GAO-09-235](#). Washington, D.C.: February 10, 2009.

The Department of Defense's Civilian Human Capital Strategic Plan Does Not Meet Most Statutory Requirements. [GAO-08-439R](#). Washington, D.C.: February 6, 2008.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548

